

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 NEA-10 ISO-00 FEA-01 ERDA-05 AID-05
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R 161003Z DEC 76
FM AMEMBASSY TUNIS
TO SECSTATE WASHDC 5227
INFO AMEMBASSY ALGIERS
AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY LONDON
AMCONSUL PALERMO
AMEMBASSY PARIS
AMEMBASSY ROME

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E.O. 11652: /A
TAGS: ENRG, ELTN, EFIN, IT, TS, AG
SUBJECT: ALGERIA-ITALY GAS PIPELINE: TUNISIAN-ITALIAN
NEGOTIATIONS NEAR CONCLUSION

REF: PALERMO 746

1. AMOR ROUROU, PRESIDENT OF TUNISIAN STATE OIL COMPANY (ETAP), TOLD ECONOMIC/COMMERCIAL COUNSELOR DECEMBER 13 THAT "GO" OR "NO GO" DECISION SHOULD BE REACHED BEFORE END OF MONTH IN NEGOTIATIONS BETWEEN GOT MINISTRY OF ECONOMY AND ITALIAN STATE OIL COMPANY ENI ON PIPELINE TO CARRY ALGERIAN NATURAL GAS TO SICILY.

2. ROUROU SAID GOI UNDER PRESSURE TO REACH AGREEMENT AND THUS TO CONCEDE TO TUNISIA FAIR SHARE OF VERY SUBSTANTIAL BENEFITS FROM PIPELINE FAR CHEAPER BOTH IN CAPITAL AND OPERATIONAL COSTS THAN ALTERNATIVE LNG SYSTEM. HE SAID GOT VIEW AS THAT MATTER IS STRICTLY BETWEEN TUNISIA AND ITALY (I.E. ALGERIA NOT DIRECTLY INVOLVED) SINCE ITALY
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TO BE OWNER OF GAS AT TUNISIAN-ALGERIAN BORDER. GOT NOW

SEEKING TRANSIT PAYMENT FROM ITALIANS IN FORM OF GAS
OFF-TAKE ON TERMS PROTECTING GOT AGAINST ESCALATION IN
ALGERIAN EXPORT PRICES.

3. ROUROU SUGGESTED THAT STABLE TERMS FOR ACQUIRING THIS
GAS, WHICH FIGURES TO BE INITIALLY CHEAPER THAN THAT
FROM TUNISIAN MISKAR (GULF OF GABES) FIELD, LIKELY TO
BE CRITICAL TO GOT DECISION ON WHETHER OR NOT TO PROCEED
WITH LATTER PROJECT WITHIN CONTEXT OF 1977-81 FIVE
YEAR PLAN. THIS CLEARLY IS NOT UNANIMOUS VIEW. SADOK
BAHROUN, PRESIDENT OF STATE GAS AND ELECTRICITY
COMPANY (STEG), TOLD US DECEMBER 15 THAT GOT IN ANY EVENT
WILL DEFINITELY PROCEED WITH MISKAR PROJECT, THAT TWO
PROJECTS COULD GO AHEAD IN PARALLEL WITH TUNSIANS
EXPORTING ANY ALGERIAN GAS SURPLUS TO THEIR NEEDS, AND
THAT INITIAL COST OF ALGERIAN GAS WOULD NOT NECESSARILY
BE LESS THAN THAT OF MISKAR GAS. BUREAUCRATIC BYPLAY
PRESUMABLY INFLUENCES VIEWS SINCE ETAP RATHER THAN STEG WOULD
EXPECT TO BE TUNSIAN AGENCY INVOLVED IN ALGERIA-ITALY PIPE-
LINE, WHILE SO FAR THE TWO GOT AGENCIES ARE JOINTLY
INVOLVED WITH FRENCH (ELF-ACQUITAINE) IN MISKAR PROJECT.

4. ROUROU CONFIRMED THAT PROPOSED 48 INCH LINE
PASSING FROM ALGERIAN BORDER NEAR KASSERINE TO NEAR
KELIBIA ON CAP BON TO BE DESIGNED TO TRANSPORT 12 TO
20 BILLION CUBIC METERS ANNUALLY. HE SAID CONSTRUCTION
TO TAKE FOUR YEARS AND USEFUL LIFE OF PIPELINE 20 TO 25
YEARS. ROUROU CONCEDED ITALIANS STILL FACE CREDIT
PROBLEMS BUT SAID THEY ARE EXPECTED TO GET EC HELP IN
FINANCING RELATIVELY LESS COSTLY MEANS TO BRING ESSENTIAL
GAS TO ITALIAN ENERGY MARKET.

5. APART FROM ROUROU INTERVIEW, EMBASSY HAS HEARD
CIRCUMSTANTIAL REPORTS INDICATING ALGERIA-SICILY PIPELINE
PROJECT VERY LIVE -- FOR INSTANCE, WE HAVE BEEN TOLD
THAT GERMAN SUBSIDIARY OF SNAM HAS BEEN ASKED TO QUOTE
ON 48 INCH PIPE COUPLINGS, AND TUNISIAN FIRM HAS BEEN
APPROACHED BY ETAP REGARDING ITS ABILITY TO UNDERTAKE
CORROSION CONTROL FOR PIPELINE.

MULCAHY

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